

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Township of Allen</b>	County <b>Hillsdale</b>
Audit Date <b>3/31/04</b>	Opinion Date <b>5/25/04</b>	Date Accountant Report Submitted to State: <b>6/9/04</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* issued by the Michigan Department of Treasury.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGR).			✓

Certified Public Accountant (Firm Name) <b>Osbourne, March, Condon &amp; Co., P.C.</b>			
Street Address <b>184 West Carleton Road</b>	City <b>Hillsdale</b>	State <b>MI</b>	ZIP <b>49242</b>
Accountant Signature 		Date <b>6/1/04</b>	

**TOWNSHIP OF ALLEN**  
**(Hillsdale)**  
**FINANCIAL STATEMENTS AND**  
**INDEPENDENT AUDITOR'S REPORT**

**MARCH 31, 2004**

TOWNSHIP OF ALLEN  
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Osbourne, March, Condon & Co., P.C.

Certified Public Accountants

184 West Carleton Road

Hillsdale, Michigan 49242

Telephone: 517/439-9331

FAX: 517/439-1894

E-mail: omccpa@dmci.net

## INDEPENDENT AUDITOR'S REPORT

Township Board  
Township of Allen  
Hillsdale County, Michigan

We have audited the accompanying general purpose financial statements of the Township of Allen, Michigan as of March 31, 2004, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township of Allen, Michigan management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

Except as discussed in the following paragraphs, we conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The scope of our audit did not include verification of the fund balances at April 1, 2003. We are, therefore, unable to express an opinion on the accompanying statements of fund balance.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to audit the April 1, 2003 fund balances referred to above, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Township of Allen, Michigan as of March 31, 2004, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated May 25, 2004 on our consideration of Township of Allen, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of the audit and, in considering the results of the audit, should be read along with the auditor's report on the financial statements.

*Astourne, March, Condon + co., P.C.,*

Certified Public Accountants

Hillsdale, Michigan  
May 25, 2004

TOWNSHIP OF ALLEN  
COMBINED BALANCE SHEET -  
ALL FUND TYPES AND ACCOUNT GROUPS

MARCH 31, 2004

ASSETS

GOVERNMENTAL FUND TYPES

GENERAL

ASSETS

Cash - checking	\$ 21,344
Cash - savings	54,993
Investments - certificates of deposit	17,558
Due from county	3,300
Due from tax account	39,035
Due from others	24,865
Land and buildings	
Equipment	

TOTAL ASSETS

\$161,095

LIABILITIES AND FUND EQUITY

LIABILITIES AND FUND EQUITY

Liabilities

Due to General Fund	\$
Due to others	
Deferred revenue	<u>24,865</u>

Total Liabilities

\$ 24,865

Fund Equity

Investment in fixed assets	\$
Fund balances	
Unreserved, undesignated	129,646
Designated for cemetery	6,584
Restricted for endowment	

Total Fund Equity

\$136,230

TOTAL LIABILITIES AND FUND EQUITY

\$161,095

The accompanying notes are an integral part of these financial statements.

FIDUCIARY FUND TYPES		ACCOUNT GROUPS	TOTALS
AGENCY	NON-EXPENDABLE TRUST	GENERAL FIXED ASSETS	(MEMORANDUM ONLY)
\$74,878	\$	\$	\$ 96,222
	2,000		54,993
			19,558
			3,300
			39,035
			24,865
		132,280	132,280
		<u>468,880</u>	<u>468,880</u>
<u>\$74,878</u>	<u>\$2,000</u>	<u>\$601,160</u>	<u>\$839,133</u>
\$39,035	\$	\$	\$ 39,035
35,843			35,843
			<u>24,865</u>
<u>\$74,878</u>	<u>\$</u>	<u>\$</u>	<u>\$ 99,743</u>
\$	\$	\$601,160	\$601,160
			129,646
			6,584
	<u>2,000</u>		<u>2,000</u>
<u>\$</u>	<u>\$2,000</u>	<u>\$601,160</u>	<u>\$739,390</u>
<u>\$74,878</u>	<u>\$2,000</u>	<u>\$601,160</u>	<u>\$839,133</u>

TOWNSHIP OF ALLEN  
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
GENERAL FUND

FOR THE FISCAL YEAR ENDED MARCH 31, 2004

	GENERAL FUND		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES			
Property tax	\$ 30,191	\$ 32,906	\$ 2,715
State grants	104,423	97,944	(6,479)
Interest	350	897	547
Sales of cemetery lots, etc.	5,000	7,755	2,755
Dust control		5,460	5,460
Administrative fees	11,213	13,004	1,791
Miscellaneous		3,383	3,383
Community building rental		960	960
Fire calls	4,920	3,960	(960)
FEMA grant		<u>4,951</u>	<u>4,951</u>
TOTAL REVENUES	<u>\$156,097</u>	<u>\$171,220</u>	<u>\$15,123</u>
EXPENDITURES			
Supervisor	\$ 5,980	\$ 5,980	\$
Assessor	10,896	10,896	
Treasurer	7,935	7,935	
Clerk	7,935	7,935	
Trustees	2,784	2,262	522
Board of Review	1,100	740	360
Deputy Clerk and Treasurer	800	675	125
Insurance	22,605	22,605	
Payroll taxes	7,000	2,852	4,148
Office supplies and printing	3,004	2,893	111
Solid waste	16,000	11,072	4,928
Drain at large	800		800
Cemetery	15,000	12,702	2,298
Fire department	27,000	16,429	10,571
Tax roll	4,000	2,356	1,644
Roads and bridges	7,500	5,763	1,737
Utilities	4,000	3,519	481
Dues and seminars	1,500	1,202	298
Mileage and phone	1,500	1,237	263
Contingency	9,197		9,197
Community building	742	842	(100)
Interest		303	(303)
Lease payments		4,097	(4,097)

The accompanying notes are an integral part of these financial statements.



TOWNSHIP OF ALLEN  
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
GENERAL FUND (CONCLUDED)

FOR THE FISCAL YEAR ENDED MARCH 31, 2004

	GENERAL FUND		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
EXPENDITURES (CONCLUDED)			
Capital outlay	\$	\$ 9,661	\$ (9,661)
Parks and recreation	1,500	1,500	
Audit and legal	2,000	140	1,860
Dust control	18,000	21,840	(3,840)
Notices and publications	700		700
Miscellaneous	<u>2,750</u>	<u>1,191</u>	<u>1,559</u>
TOTAL EXPENDITURES	<u>\$182,228</u>	<u>\$158,627</u>	<u>\$23,601</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$(26,131)</u>	<u>\$ 12,593</u>	<u>\$38,724</u>
OTHER FINANCING SOURCES			
Operating transfers	\$	\$ 47	\$ 47
TOTAL OTHER FINANCING SOURCES	<u>\$</u>	<u>\$ 47</u>	<u>\$ 47</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	<u>\$(26,131)</u>	<u>\$ 12,640</u>	<u>\$38,771</u>
FUND BALANCE - BEGINNING	<u>123,590</u>	<u>123,590</u>	<u></u>
FUND BALANCE - ENDING	<u>\$97,459</u>	<u>\$136,230</u>	<u>\$38,771</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF ALLEN  
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - NON-EXPENDABLE TRUST FUND  
FOR THE FISCAL YEAR ENDED MARCH 31, 2004

REVENUES	
Interest	<u>\$ 47</u>
OTHER FINANCING (USES)	
Operating transfer out	<u>\$ (47)</u>
EXCESS OF REVENUES OVER (UNDER)	
OTHER FINANCING USES	<u>\$</u>
FUND BALANCE - BEGINNING	<u>2,000</u>
FUND BALANCE - ENDING	<u>\$2,000</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF ALLEN  
COMBINED STATEMENT OF CASH FLOWS -  
NON-EXPENDABLE TRUST FUND  
FOR THE FISCAL YEAR ENDED MARCH 31, 2004

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Operating transfer to General Fund	<u>\$ (47)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earned on investments	<u>\$ 47</u>
NET INCREASE (DECREASE) IN CASH	<u>\$</u>
CASH - BEGINNING	<u>\$</u>
CASH - ENDING	<u>\$ 0</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF ALLEN  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRIMARY GOVERNMENT

The Township of Allen (the "Township") was organized in the 1800's and covers an area of approximately 36 square miles. The Township operates under a part time elected Township Board (five members) and provides service to its more than 1,200 residents in the areas of fire protection and cemetery maintenance.

The financial statements of the Township have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Township's more significant accounting policies are described below.

BASIS OF PRESENTATION - FUND ACCOUNTING

The accounts of the Township are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund or account group are summarized by providing a separate set of self-balancing accounts, which include its assets, liabilities, fund equity, revenue, and expenditures. The following funds and groups of accounts are used by the Township:

GOVERNMENTAL FUND

General Fund

This fund is used to account for all financial resources except those provided for in another fund. Revenues are primarily derived from property taxes, state shared revenues and charges for services to provide for the administration and operation of (1) roads and bridges, (2) fire department and, (3) cemeteries.

FIDUCIARY FUNDS

Non-Expendable Trust Fund

The Cemetery Endowment Fund is made up of trusts set up by individual donations for the purpose of generating revenues to offset the purchase of additional land for cemetery purposes.

Agency Fund

Agency funds are used to account for assets held by the Township as an agent for other funds and/or other governments. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

ACCOUNT GROUPS

Fixed Assets and Long-Term Debt

The General Fixed Assets Account Group is used to account for fixed assets not accounted for in proprietary funds. The General Long-Term Debt Account Group is used to account for general long-term debt and certain other liabilities that are not specific liabilities of proprietary funds.

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus.

TOWNSHIP OF ALLEN  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
MARCH 31, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ACCOUNT GROUPS (CONCLUDED)

Fixed Assets and Long-Term Debt (concluded)

Fixed assets used in governmental fund types operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. No depreciation has been provided on general fixed assets. Public Domain infrastructure assets are not capitalized.

All fixed assets are valued at historical cost or estimated historical cost, if actual historical cost is not available.

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund types expenditures or fund liabilities. They are instead reported as liabilities in the General Long-Term Debt Account Group, if required.

The two account groups are not "funds". They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used by all governmental fund types and agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means that the amount of the transaction is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A one-year availability period is used for revenue recognition for all governmental fund type revenues. Expenditures are recorded when the related fund liability is incurred.

Those revenues susceptible to accrual are property taxes, franchise taxes, special assessments, licenses, interest revenue, and charges for services. Fines and permits are not susceptible to accrual because generally they are not measurable until received in cash.

BUDGET AND BUDGETARY ACCOUNTING

The Township follows these procedures in establishing the budgetary data for the General Fund reflected in the financial statements:

The Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year. The operating budget includes proposed expenditures and the means of financing them.

TOWNSHIP OF ALLEN  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
MARCH 31, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

BUDGET AND BUDGETARY ACCOUNTING (CONCLUDED)

Public hearings are conducted to obtain taxpayer comments.

Prior to April 1, the budget is legally enacted through passage of a motion.

PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of December 1. Taxes are levied on December 31 and are due and payable on or before February 28 of the following year. All unpaid taxes become delinquent on March 1 of the following year. The Township collects its own property taxes. Township property tax revenues are recognized when levied to the extent that they result in current receivables.

FUND EQUITY

The unreserved undesignated fund balances for governmental funds represent the amount available for budgeting future operations. Reserved fund balances represent the assets that have been legally identified for specific purposes. Designated fund balances represent tentative plans for future use of financial resources.

TOTAL COLUMNS ON COMBINED FINANCIAL STATEMENTS - OVERVIEW

Total columns on the Combined Financial Statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate analysis. Data in these columns do not present financial position or results of operations in conformation with generally accepted accounting principles. Neither is such data comparable to a consolidation.

RISK MANAGEMENT

The Township of Allen is exposed to various risks of loss related to property loss, damage or destruction, errors and omissions and injuries to employees. The Township has purchased commercial insurance to adequately cover these risk areas. Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverages obtained through commercial insurance during the past year.

TOWNSHIP OF ALLEN  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
MARCH 31, 2004

NOTE 2: CASH AND INVESTMENTS

At March 31, 2004 the book value of the Township's demand and time deposits, consisting primarily of checking and savings accounts, was \$151,215 with a corresponding bank balance of \$153,850. Qualifying demand and time deposits are insured by the Federal Deposit Insurance Corporation up to \$100,000 for each deposit type per bank. Of the bank's balance, approximately \$153,850 is insured, and no amounts are uninsured and uncollateralized.

STATUTORY AUTHORITY

Act 217, PA 1982, authorizes the Township to deposit and invest in:

- (a) bonds and other direct obligations of the United States or its agencies
- (b) certificates of deposit, savings accounts, deposit accounts, or depository receipts of federally insured banks, insured savings and loan associations or credit unions insured by the national credit union administration that are eligible to be depository of surplus money belonging to the State under section 5 or 6 of Act 105,, PA 1855, as amended (MCL 21.145 and 21.146)
- (c) commercial paper rated at time of purchase within three highest classifications established by not less than two standard rating services. Maturity cannot be more than 270 days after purchase and not more than 50 percent of any fund may be invested in commercial paper at any time.
- (d) United States government or Federal agency obligation repurchase agreements.
- (e) bankers' acceptance of United States banks
- (f) mutual funds composed of investments which are legal for direct investments by local units of government in Michigan

The Township's deposits are in accordance with statutory authority.

Michigan law (Section 3, Act 40, PA 1932, as amended) prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

NOTE 3: DELINQUENT TAXES RECEIVABLE

The unpaid portion of property taxes levied against township property constitutes delinquent taxes receivable and are shown as due from county.

TOWNSHIP OF ALLEN  
NOTES TO FINANCIAL STATEMENTS (CONCLUDED)  
MARCH 31, 2004

NOTE 4: CHANGES IN FIXED ASSETS

The following is a summary of changes in the general fixed assets account group for the fiscal year.

	BALANCE 4/01/03	ADDITIONS	RETIREMENTS	BALANCE 3/31/04
Land and buildings	\$132,280	\$	\$	\$132,280
Fire equipment	376,852	9,661		386,513
Cemeteries	54,106	4,181		58,287
Furniture and equipment	<u>24,080</u>	<u>          </u>	<u>          </u>	<u>24,080</u>
TOTAL GENERAL FIXED ASSETS	<u>\$587,318</u>	<u>\$13,842</u>	<u>\$          </u>	<u>\$601,160</u>

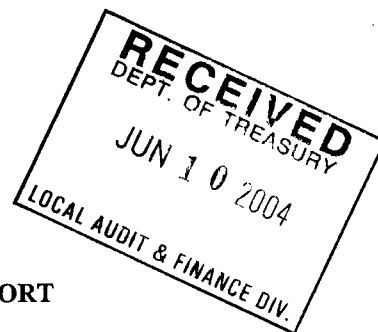
NOTE 5: INTERFUND ASSETS/LIABILITIES

Due from/to other funds balances at March 31, 2004 were as follows:

FUND	DUE FROM OTHER FUNDS	DUE TO OTHER FUNDS
General Fund	\$39,035	\$
Agency Fund	<u>          </u>	<u>39,035</u>
	<u>\$39,035</u>	<u>\$39,035</u>



**TOWNSHIP OF ALLEN**  
**GAO GOVERNMENT AUDITING STANDARDS REPORT**  
**MARCH 31, 2004**



TOWNSHIP OF ALLEN

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS*

1



Osbourne, March, Condon & Co., P.C.

Certified Public Accountants

184 West Carleton Road

Hillsdale, Michigan 49242

Telephone: 517/439-9331

FAX: 517/439-1894

E-mail: omccpa@dmci.net

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Township Board  
Township of Allen  
Allen, Michigan

We have audited the financial statements of Township of Allen, Michigan, as of and for the year ended March 31, 2004, and have issued our report thereon dated May 25, 2004. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Township of Allen's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

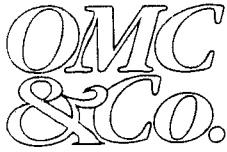
In planning and performing our audit, we considered Township of Allen's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we reported to management of Township of Allen, Michigan, in a separate letter dated May 25, 2004.

This report is intended for the information of the Township Board and State Awarding Agencies. However, this report is a matter of public record and its distribution is not limited.

*Osbourne, March, Condon & Co., P.C.*

Certified Public Accountants

Hillsdale, Michigan  
May 25, 2004



Osbourne, March, Condon & Co., P.C.

Certified Public Accountants

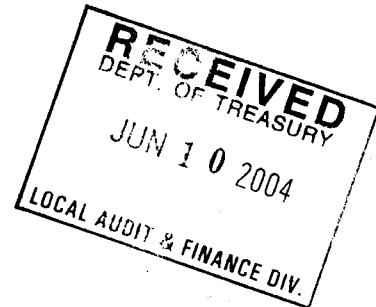
184 West Carleton Road

Hillsdale, Michigan 49242

Telephone: 517/439-9331

FAX: 517/439-1894

E-mail: omccpa@dmci.net



May 25, 2004

Township Board  
Township of Allen  
Allen, Michigan

Dear Board Members:

We have audited the financial statements of Township of Allen, Michigan, for the year ended March 31, 2004, and have issued our report thereon dated May 25, 2004. As part of our audit, we made a study and evaluation of the Township's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the Township's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The Board of Township of Allen, Michigan, is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide the Board with a reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with the Board's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of the inherent limitations in any system of internal accounting control, errors and irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluations made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion of the system of internal accounting control of the Township taken as a whole. However, our study and evaluation disclosed no conditions that we believe to be a material weakness.

This report is intended solely for the use of the Supervisor and the Township Board, and should not be used for any other purposes.

**Total Year-End Revenues**

A statement of *total revenues for all funds* was not available at the time of the audit. Monthly receipts for the general fund checking account were summarized by the Clerk, but revenues other than those coming into the checking account were not recorded. The Clerk should record all revenues and expenditures of the Township, regardless of whether the transaction takes place in a checking account, savings account or certificate of deposit. By doing this, it provides a separation of duties and allows for a double check to the Treasurer on all bank balances.

**Recommendation**

A statement of revenues and expenditures of the general fund should be available at the end of the year. This statement should also be used as a budgeting tool for the upcoming year.

**Fire Department Grants**

The Fire Department officers applied for and received grant funds on behalf of the Township to purchase equipment. However, the funds were not deposited into Township accounts, but rather the Fire Department Association Checking Account.

**Recommendation**

All Township revenue should be received by the Treasurer and deposited in an appropriate account. In turn, the Township Board should expend grant funds for their intended use as part of their monthly business.

We would like to take this opportunity to express our appreciation for the cooperation extended to us during the course of our engagement. If you have any questions regarding this matter or any others, please do not hesitate to call.

*Osbourne, March, Condon + Co., P.C.,*

Certified Public Accountants

Hillsdale, Michigan  
May 25, 2004